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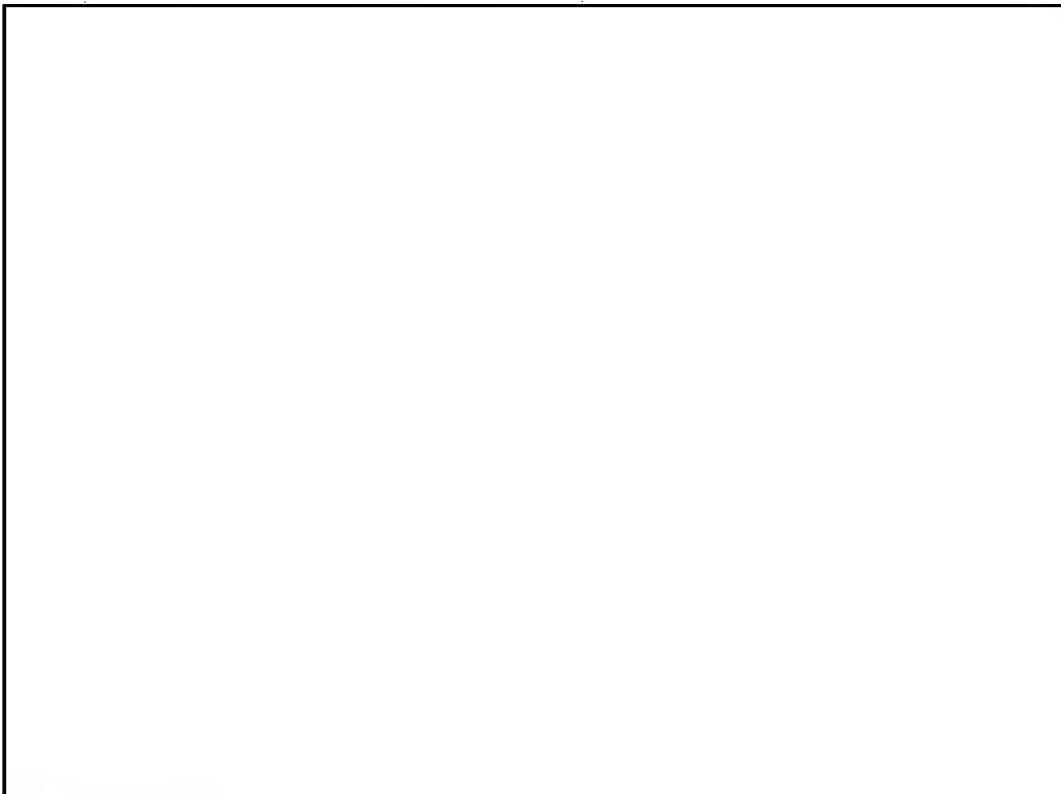
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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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THE ARAB-ISRAELI SITUATION

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**1. BRITISH PROPOSE EFFORT TO GET SOVIET SUPPORT
FOR UN MOVES TOWARD ARAB-ISRAELI SETTLEMENT**

British UN chief delegate Dixon has proposed to the French and American delegates that the Soviet delegation be sounded out on its willingness to support UN moves toward a Middle East settlement during the next two or three months.

Dixon implied that Prime Minister Eden envisages consultation on an early Security Council resolution congratulating Secretary General Hammarskjold. The Russians should be asked at the same time to support diplomatically Hammarskjold's plan under which troops would be withdrawn from the El Auja-Sinai area and Egypt would lift its blockade of the Suez Canal. Dixon indicated the British were prepared to go further and ask the Russians if they are willing to support a "full settlement" of Palestine problems.

According to Dixon, London believes the Soviet government is now "more manageable," and that the West should now "cash in." He expressed his view that the only way to solve the Palestine problem is to bring Soviet pressure to bear on the Arabs.

Comment

The British evidently consider that they were moderately successful in getting Khrushchev and Bulganin to comprehend the gravity of the situation in the Middle East during their recent visit to the United Kingdom, and want an early test of the professed Soviet willingness to co-operate in the UN to relieve tension.

2. CAMBODIA LIKELY TO ACCEPT CHINESE COMMUNIST AID OFFER

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Under the terms of an economic aid agreement initialed by Communist China and Cambodia, Peiping will expend about \$23,000,000 in Cambodia over a period of two years in the fields of irrigation, hydraulic engineering, light industry, transportation and communications, schools and hospitals, and electric power. The program is to be supervised by mixed commissions operating in Peiping and Phnom Penh. Cambodia will probably ratify the agreement.

Comment

There is no doubt of Peiping's ability to meet its commitments under this aid agreement, which is the first made by the Chinese with a non-Communist country.

Peiping has made repeated offers during the past several months to give Cambodia aid "without strings." The type of aid offered fits in with Cambodia's two-year economic development program.

The aid program would give the Chinese Communists an opportunity to establish themselves firmly in Cambodia and to develop contacts in South Vietnam, Laos and Thailand.

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3. HUNGARIAN FACTIONALISM LEADS TO SPECIAL CENTRAL COMMITTEE MEETING

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Dissension within the Hungarian central committee has reached such proportions that a special meeting has been scheduled for this week, according to well-qualified sources of the American legation in Budapest. One source reports that party leader Rakosi's tactics will be to make a show of yielding to mounting pressure, but he "will continue to maintain control without giving too much ground."

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The latest in a series of public displays of Soviet support for Rakosi appeared in a 9 May Szabad Nep article which quoted Voroshilov's message of "ardent and best greetings to his dear friend Rakosi."

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Comment

Several recent reports indicate that opposition to Rakosi is centering in a group of younger nationalistic Communists, headed by politburo members Kovacs and Szalai, Colonel General Nogradi, and Janos Kadar, now a local party secretary. Kadar was ousted from the politburo in 1950 in the wake of the Rajk Titoist trial.

In the face of increased opposition to Rakosi, Soviet leaders, including Bulganin and Khrushchev, have endorsed Rakosi three times in the past six weeks. The USSR probably fears that his removal now would only worsen the Hungarian political situation.

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5. STRIKE SITUATION COULD LEAD TO COUP IN URUGUAY

the serious Uruguayan political crisis precipitated by a strike in the important meat packing industry might eventually lead to a declaration of martial law and a coup by General Juan Ribas, then heading the Defense Ministry. Such developments would have the support of former council president Luis Batlle Berres.

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An unconfirmed press report late on 15 May announced a new cabinet in which Gamarra was shifted to the Foreign Ministry post and a new defense minister appointed. This cabinet shuffle was necessitated by the resignation last week of three ministers over a minor issue.

Uruguay is ruled by a nine-man council wielding the authority of the chief of state, with the title of president rotating on an annual basis. Both Batlle, who was president of the council until 1 March, and the opposition Nationalist Party have been reported working for the past six months toward abolition of the council. The present council was established in 1952, largely to prevent Batlle from becoming too powerful under a presidential system.

The composition of the new cabinet, drawn exclusively from Batlle's faction of the majority party, further narrows the government's already slim congressional base and could prolong the present stalemate over important legislation.

Although Uruguayan politics are chronically turbulent, the last coup took place in 1933 under similar circumstances, when economic conditions were difficult and there was a split in the executive.

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